

Relais

Company report

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✓ Inderes Corporate customer

This report is a summary translation of the report “Kurs sijuna lähti justiinsa” published on 8/13/2021 at 7:30 am

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res.

The stock price train just left

Barring net sales, Relais' H1 figures were slightly lower than our estimates. Given the constant structural arrangements, the visibility to the result wasn't good in the first place. Relais still didn't release guidance for 2021, which was a disappointment. Small changes to our estimates Relais' H1 report lowered the risk profile, and considering this, we are ready to accept higher-than-before valuation multiples for the company's stock. In our view, the stock is still fully priced, but because of the elevated multiples we raise our target price to EUR 24.00 (was EUR 18.00) and reiterate our sell recommendation.

H1 result was slightly short of estimates

In H1, Relais' net sales exceeded our expectations slightly. The market situation was stable, but Relais believes that it has organically grown faster than the market. Another positive matter is that the first months of Raskone as a part of the Group have been very favorable in terms of both net sales and operating profit. The Group's EBITA margin (11.5%) was short of expectations, but this was solely because of Raskone that has structurally lower margins. The Group's net financing costs were significantly higher than we expected, but this is apparently explained by exchange rate losses.

Estimates almost unchanged - until next acquisition

Relais still didn't release guidance for 2021, which was a disappointment. The company still cites the effects of COVID as well as uncertainty caused by lack of components and semiconductors. Relais aims to continue or even accelerate its quick acquisition rate. The prospect for acquisitions is in the company's view strong and the focus is still on the sectors on which the company already operates. The changes we made to our estimates are minor and they are based on the stronger-than-expected organic growth in H1, but also on the margin disappointment of the same period.

Acquisition strategy and valuation

We have reviewed Relais' acquisition strategy in light of 2026 objectives. In our scenario analysis, Relais meets the targeted net sales of EUR 500 million generating attractive theoretical total profit at the same time. Our model, however, is very simplified and doesn't consider many significant risks, due to which we take the results with a grain of salt.

Valuation is tight – again

Relais' share's expected total return for the next few years has decreased after the share price went up. With an acceptable P/E ratio of some 18x (2022e), the total return expectation is positive but does not reach the return requirement. Thus, the risk-adjusted return expectation is weak. With the 2021-2022 P/E ratios, the share is valued 2-3% below the peer group median, but with the EV/EBIT ratios of the same years, the share is a 3-10% above the peer group median. Generally, the share valuation is on par with the peers. At the same time, the stock is valued 38% higher than the DCF value. The difference is a result of our DCF model not supporting acquisitions at all. With this in mind, the usability of the DCF model is low, as we revised our view on the progress of Relais' strategy.

Recommendation

Reduce
(previous Reduce)

EUR 24.00
(previous EUR 18.00)

Share price:
24.50



Key indicators

	2020	2021e	2022e	2023e
Net sales	128.9	229.9	244.9	250.6
growth %	30%	78%	7%	2%
EBIT adj.	18.7	28.8	33.0	34.6
EBIT % adj.	14.5%	12.5%	13.5%	13.8%
Net profit	6.9	8.7	12.8	14.5
EPS (adj.)	0.87	1.15	1.34	1.41
P/E (adj.)	17.0	21.4	18.3	17.4
P/B	3.4	4.9	4.6	4.3
Dividend yield %	2.0%	1.6%	1.9%	2.1%
EV/EBIT (adj.)	14.8	17.9	15.2	14.1
EV/EBITDA	14.5	16.7	14.7	13.7
EV/Sales	2.1	2.2	2.0	1.9

Source: Inderes

Guidance (Unchanged)

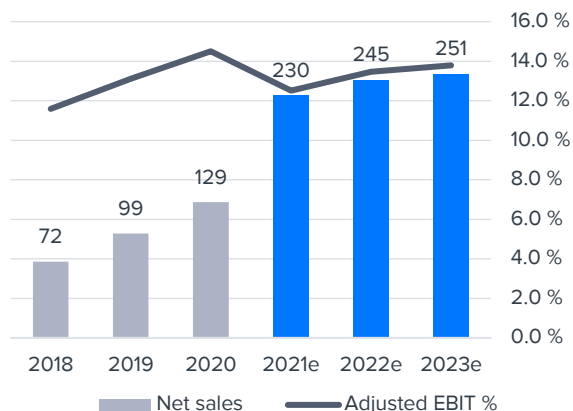
Even though the market situation is generally stable, the continuing of the COVID pandemic and global lack of components and semiconductors lower the visibility of the operations. Because of this, the company will not release guidance for the financial period of 2021.

Share price



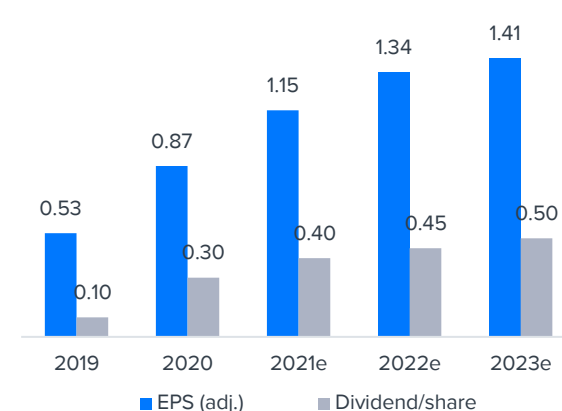
Source: Thomson Reuters

Revenue and EBIT %



Source: Inderes

EPS and dividend



Source: Inderes



Value drivers

- Stable market that is not dependent on new vehicle sales
- Relais' specialization on growing electrical parts market
- Good track record with acquisitions
- Upcoming acquisitions
- Flexible cost structure



Risk factors

- Increasing activity of car importers and authorized dealers on the after market
- International wholesalers entering Nordic markets
- New digital marketplaces and different business models
- Increasing share of electric vehicles creates pressure on the growth of the spare parts market in the long term

Valuation	2021e	2022e	2023e
Share price	24.5	24.5	24.5
Number of shares, millions	17.8	18.0	18.1
Market cap	437	437	437
EV	515	502	486
P/E (adj.)	21.4	18.3	17.4
P/E	50.3	34.6	30.6
P/FCF	neg.	19.6	17.1
P/B	4.9	4.6	4.3
P/S	1.9	1.8	1.7
EV/Sales	2.2	2.0	1.9
EV/EBITDA	16.7	14.7	13.7
EV/EBIT (adj.)	17.9	15.2	14.1
Payout ratio (%)	82.2 %	63.5 %	62.5 %
Dividend yield-%	1.6 %	1.9 %	2.1 %

Source: Inderes

Estimates

Estimates MEUR / EUR	H1'20	H1'21	H1'21e	H1'21e	Consensus		Difference (%)	2021e
	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Inderes
Revenue	59.0	106	103				2%	223
EBITA	7.5	12.2	13.5				-10%	29.0
EBIT	3.7	6.1	7.6				-20%	17.2
PTP	2.3	4.5	6.7				-32%	15.4
EPS (adj.)	0.29	0.48	0.56				-14%	1.20
EPS (reported)	0.06	0.13	0.23				-42%	0.54
Revenue growth-%	56.3 %	79.4 %	75.5 %				3.9 pp	78.3 %
EBITA-%	12.7 %	11.5 %	13.0 %				-1.5 pp	13.0 %

Source: Inderes

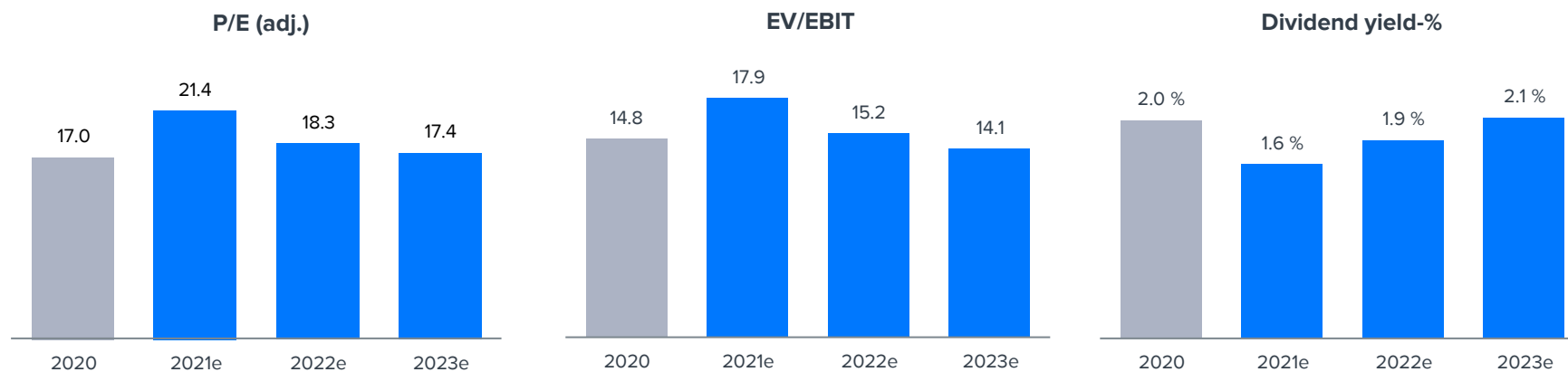
Estimate revisions MEUR / EUR	2021e	2021e	Change	2022e	2022e	Change	2023e	2023e	Change
	Old	New	%	Old	New	%	Old	New	%
Revenue	223	230	3%	239	245	2%	246	251	2%
EBIT (exc. NRIs)	29.0	28.8	-1%	33.2	33.0	-1%	34.5	34.6	0%
EBIT	17.2	17.0	-1%	21.9	21.7	-1%	23.5	23.5	0%
PTP	15.4	14.4	-7%	19.2	19.3	1%	20.9	21.4	2%
EPS (excl. NRIs)	1.20	1.15	-4%	1.34	1.34	0%	1.40	1.41	1%
DPS	0.40	0.40	0%	0.45	0.45	0%	0.50	0.50	0%

Source: Inderes

Valuation table

Valuation	2016	2017	2018	2019	2020	2021e	2022e	2023e	2024e
Share price				8.25	14.70	24.50	24.50	24.50	24.50
Number of shares, millions				16.2	16.8	17.8	18.0	18.1	18.2
Market cap				134	247	437	437	437	437
EV				168	277	515	502	486	470
P/E (adj.)				15.7	17.0	21.4	18.3	17.4	16.2
P/E				>100	35.6	50.3	34.6	30.6	27.0
P/FCF				neg.	47.7	neg.	19.6	17.1	16.4
P/B				2.1	3.4	4.9	4.6	4.3	4.0
P/S				1.4	1.9	1.9	1.8	1.7	1.7
EV/Sales				1.7	2.1	2.2	2.0	1.9	1.8
EV/EBITDA				12.6	14.5	16.7	14.7	13.7	12.5
EV/EBIT (adj.)				13.0	14.8	17.9	15.2	14.1	12.8
Payout ratio (%)				421.4 %	72.7 %	82.2 %	63.5 %	62.5 %	55.2 %
Dividend yield-%				1.2 %	2.0 %	1.6 %	1.9 %	2.1 %	2.1 %

Source: Inderes



Peer group valuation

Peer group valuation Company	Share price	Market cap MEUR	EV MEUR	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B 2021e
				2021e	2022e	2021e	2022e	2021e	2022e	2021e	2022e	2021e	2022e	
Kamux Oyj	17.57	705	772	24.5	19.6	17.4	15.0	0.9	0.7	25.6	20.9	1.3	1.5	6.5
Mekonomen AB	141.40	774	1240	12.5	12.2	7.3	7.1	1.0	1.0	11.6	10.7	2.0	2.7	1.5
Thule Group AB	455.60	4678	4792	21.2	21.8	19.9	20.3	4.9	4.8	27.6	28.6	2.7	2.6	8.8
Inter Cars SA	413.00	1275	1561	12.0	11.5	9.8	9.5	0.7	0.6	14.5	14.3	0.3	1.4	2.1
Motorpoint Group PLC	326.00	362	519	39.3	20.4	32.1	17.2	0.6	0.4	46.4	21.7			
LKQ Corp	50.70	12815	14658	11.3	11.0	9.7	9.4	1.3	1.3	13.9	13.4			2.4
Dorman Products Inc	99.82	2715	2583	16.2	14.8	13.8	12.9	2.5	2.3	22.0	19.9			3.4
Advance Auto Parts Inc	209.40	11776	11906	14.4	13.1	11.4	10.3	1.3	1.3	19.1	17.1	1.5	1.6	3.9
Uni-Select Inc	18.03	540	919	41.5	15.0	8.5	7.7	0.7	0.6	23.7	16.4			
Genuine Parts Co	124.97	15343	16659	15.6	14.1	12.5	11.8	1.1	1.0	19.6	18.6	2.6	2.8	5.5
AMA Group Ltd	0.51	237	551	22.0	15.3	8.8	7.6	1.0	0.9	30.8	19.3		0.5	1.1
Relais (Inderes)	24.50	437	515	17.9	15.2	16.7	14.7	2.2	2.0	21.4	18.3	1.6	1.9	4.9
Average				21.0	15.3	13.7	11.7	1.4	1.4	23.2	18.3	1.7	1.9	3.9
Median				16.2	14.8	11.4	10.3	1.0	1.0	22.0	18.6	1.8	1.6	3.4
Diff-% to median				10%	3%	47%	42%	114%	100%	-3%	-2%	-7%	13%	47%

Source: Thomson Reuters / Inderes. NB: The market cap Inderes uses does not consider own shares held by the company

Income statement

Income statement	H1'19	H2'19	2019	H1'20	H2'20	2020	H1'21	H2'21e	2021e	2022e	2023e	2024e
Revenue	37.7	61.2	98.9	59.0	70.0	129	106	124	230	245	251	259
Relais Group	37.7	61.2	98.9	59.0	70.0	129	106	124	230	245	251	259
EBITDA	4.0	9.3	13.3	7.7	11.4	19.1	13.0	17.9	30.9	34.2	35.5	37.7
Depreciation	-1.9	-3.6	-5.5	-4.0	-4.0	-8.0	-6.9	-6.9	-13.9	-12.5	-11.9	-11.9
EBIT (excl. NRI)	3.9	9.1	13.0	7.5	11.2	18.7	12.2	16.6	28.8	33.0	34.6	36.8
EBIT	2.2	5.7	7.9	3.7	7.4	11.1	6.1	10.9	17.0	21.7	23.5	25.8
Relais Group	2.2	5.7	7.9	3.7	7.4	11.1	6.1	10.9	17.0	21.7	23.5	25.8
Net financial items	-1.9	-3.4	-5.4	-1.4	0.7	-0.7	-1.5	-1.1	-2.6	-2.4	-2.1	-1.8
PTP	0.2	2.3	2.5	2.3	8.1	10.4	4.5	9.8	14.4	19.3	21.4	24.0
Taxes	-0.4	-1.5	-1.9	-1.3	-2.1	-3.4	-2.2	-3.4	-5.6	-6.6	-6.9	-7.5
Minority interest	-0.1	-0.1	-0.2	0.0	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0
Net earnings	-0.3	0.7	0.4	0.9	6.0	6.9	2.3	6.4	8.7	12.8	14.5	16.5
EPS (adj.)	0.17	0.36	0.53	0.28	0.58	0.87	0.47	0.68	1.15	1.34	1.41	1.51
EPS (rep.)	-0.02	0.04	0.02	0.06	0.36	0.41	0.13	0.36	0.49	0.71	0.80	0.91
Key figures	H1'19	H2'19	2019	H1'20	H2'20	2020	H1'21	H2'21e	2021e	2022e	2023e	2024e
Revenue growth-%	12.1 %	57.8 %	36.6 %	56.3 %	14.3 %	30.3 %	79.4 %	77.4 %	78.3 %	6.5 %	2.3 %	3.2 %
Adjusted EBIT growth-%	9.9 %	87.0 %	54.6 %	93.2 %	23.3 %	44.2 %	63.0 %	47.7 %	53.8 %	14.7 %	4.8 %	6.4 %
EBITDA-%	10.7 %	15.2 %	13.5 %	13.1 %	16.3 %	14.8 %	12.3 %	14.4 %	13.4 %	13.9 %	14.1 %	14.6 %
Adjusted EBIT-%	10.3 %	14.9 %	13.1 %	12.7 %	16.0 %	14.5 %	11.5 %	13.4 %	12.5 %	13.5 %	13.8 %	14.2 %
Net earnings-%	-0.7 %	1.1 %	0.4 %	1.6 %	8.6 %	5.4 %	2.1 %	5.2 %	3.8 %	5.2 %	5.8 %	6.4 %

Source: Inderes

Balance sheet

Assets	2019	2020	2021e	2022e	2023e
Non-current assets	55.4	59.7	105	93.1	82.1
Goodwill	53.7	58.2	100	88.9	77.8
Intangible assets	0.5	0.5	1.7	1.7	1.7
Tangible assets	0.7	0.7	2.0	1.5	1.5
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	0.1	0.1	0.8	0.8	0.8
Other non-current assets	0.0	0.0	0.0	0.0	0.0
Deferred tax assets	0.3	0.3	0.3	0.3	0.3
Current assets	87.7	94.9	120	128	131
Inventories	43.1	44.3	62.1	66.1	67.7
Other current assets	0.0	0.0	0.0	0.0	0.0
Receivables	15.0	16.0	30.6	32.6	33.3
Cash and equivalents	29.6	34.7	27.6	29.4	30.1
Balance sheet total	143	155	225	221	213

Source: Inderes

Liabilities & equity	2019	2020	2021e	2022e	2023e
Equity	63.7	72.3	89.1	94.7	101
Share capital	0.1	0.1	0.1	0.1	0.1
Retained earnings	12.6	15.6	19.3	24.9	31.3
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	0.0	0.0	0.0	0.0	0.0
Other equity	51.0	56.2	69.3	69.3	69.3
Minorities	0.0	0.3	0.4	0.4	0.4
Non-current liabilities	61.8	61.1	73.5	63.5	53.5
Deferred tax liabilities	2.3	2.8	3.2	3.2	3.2
Provisions	0.0	0.2	0.3	0.3	0.3
Long term debt	59.4	58.0	70.0	60.0	50.0
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	0.1	0.1	0.0	0.0	0.0
Current liabilities	17.5	21.3	62.6	63.0	58.6
Short term debt	4.8	5.0	33.9	32.4	27.3
Payables	12.8	16.3	28.7	30.6	31.3
Other current liabilities	0.0	0.0	0.0	0.0	0.0
Balance sheet total	143	155	225	221	213

DCF calculation

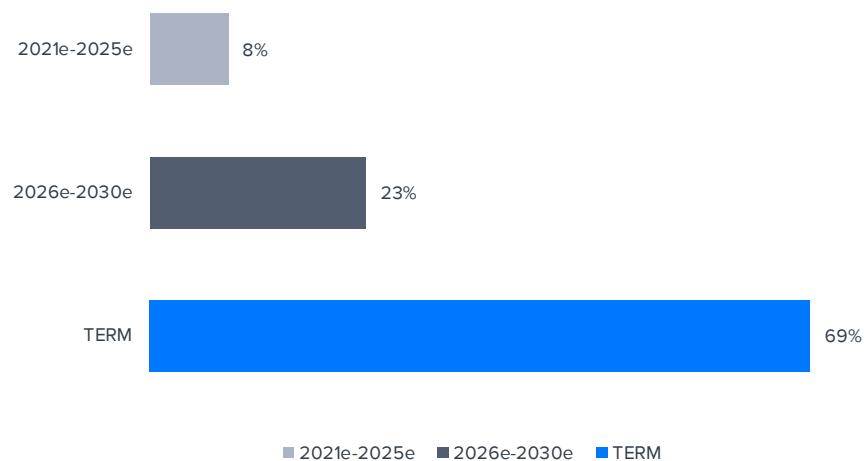
DCF model	2020	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	TERM
EBIT (operating profit)	11.1	17.0	21.7	23.5	25.8	25.7	26.0	26.2	26.3	30.2	33.3	
+ Depreciation	8.0	13.9	12.5	11.9	11.9	12.0	12.0	12.0	12.0	9.0	5.7	
- Paid taxes	-2.9	-5.2	-6.6	-6.9	-7.5	-7.6	-7.7	-7.8	-7.8	-8.0	-7.9	
- Tax, financial expenses	-0.3	-0.6	-0.5	-0.5	-0.4	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	
+ Tax, financial income	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1	
- Change in working capital	1.3	-19.9	-4.2	-1.6	-2.2	-2.1	-2.1	-2.0	-1.9	-1.8	-1.6	
Operating cash flow	17.4	5.2	22.9	26.5	27.6	27.7	28.0	28.3	28.5	29.3	29.2	
+ Change in other long-term liabilities	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-12.4	-59.1	-0.7	-0.9	-0.9	-1.0	-1.0	-1.0	-1.0	-1.1	-1.1	
Free operating cash flow	5.2	-53.9	22.3	25.6	26.7	26.7	27.0	27.3	27.5	28.2	28.2	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	5.2	-53.9	22.3	25.6	26.7	26.7	27.0	27.3	27.5	28.2	28.2	494
Discounted FCFF		-52.4	20.1	21.4	20.7	19.2	18.0	16.9	15.8	15.0	13.9	244
Sum of FCFF present value		353	405	385	364	343	324	306	289	273	258	244
Enterprise value DCF		353										
- Interesting bearing debt		-63.0										
+ Cash and cash equivalents		34.7										
-Minorities		-1.7										
-Dividend/capital return		-5.0										
Equity value DCF		317										
Equity value DCF per share		17.79										

Wacc

Tax-% (WACC)	21.3 %
Target debt ratio (D/(D+E))	20.0 %
Cost of debt	3.0 %
Equity Beta	1.30
Market risk premium	4.75%
Liquidity premium	1.00%
Risk free interest rate	2.0 %
Cost of equity	9.2 %
Weighted average cost of capital (WACC)	7.8 %

Source: Inderes

Cash flow distribution



Summary

Income statement	2018	2019	2020	2021e	2022e	Per share data	2018	2019	2020	2021e	2022e
Revenue	72.5	98.9	128.9	229.9	244.9	EPS (reported)	0.36	0.03	0.41	0.49	0.71
EBITDA	8.7	13.3	19.1	30.9	34.2	EPS (adj.)	0.67	0.53	0.87	1.15	1.34
EBIT	5.7	7.9	11.1	17.0	21.7	OCF / share	0.71	-0.19	1.04	0.29	1.27
PTP	4.8	2.5	10.4	14.4	19.3	FCF / share	0.81	-0.98	0.31	-3.02	1.24
Net Income	3.1	0.4	6.9	8.7	12.8	Book value / share	1.92	3.93	4.28	4.97	5.24
Balance sheet	2018	2019	2020	2021e	2022e	Growth and profitability	2018	2019	2020	2021e	2022e
Balance sheet total	47.7	143.0	154.6	225.2	221.2	Revenue growth-%	20%	37%	30%	78%	7%
Equity capital	17.2	63.7	72.3	89.1	94.7	EBITDA growth-%	5%	53%	43%	61%	11%
Goodwill	4.9	53.7	58.2	100.2	88.9	EBIT (adj.) growth-%	37%	55%	44%	54%	15%
Net debt	17.1	34.5	28.3	76.3	63.0	EPS (adj.) growth-%	-73%	-21%	65%	32%	17%
Cash flow	2018	2019	2020	2021e	2022e	EBITDA-%	12.1 %	13.5 %	14.8 %	13.4 %	13.9 %
EBITDA	8.7	13.3	19.1	30.9	34.2	EBIT (adj.)-%	11.6 %	13.1 %	14.5 %	12.5 %	13.5 %
Change in working capital	-2.4	-15.1	1.3	-19.9	-4.2	EBIT-%	7.9 %	7.9 %	8.6 %	7.4 %	8.9 %
Operating cash flow	6.1	-3.1	17.4	5.2	22.9	ROE-%	22.7 %	1.0 %	10.2 %	10.8 %	13.9 %
CAPEX	-0.8	-54.7	-12.4	-59.1	-0.7	ROI-%	15.8 %	9.6 %	10.1 %	10.4 %	11.5 %
Free cash flow	7.0	-15.9	5.2	-53.9	22.3	Equity ratio	36.0 %	44.5 %	46.7 %	39.5 %	42.8 %
						Gearing	99.7 %	54.2 %	39.2 %	85.6 %	66.6 %
Arvostuskertoimet	2018	2019	2020	2021e	2022e						
EV/Liikevaihto		1.7	2.1	2.2	2.0						
EV/EBITDA (oik.)		12.6	14.5	16.7	14.7						
EV/EBIT (oik.)		13.0	14.8	17.9	15.2						
P/E (oik.)		15.7	17.0	21.4	18.3						
P/B		2.1	3.4	4.9	4.6						
Osinkotuotto-%		1.2 %	2.0 %	1.6 %	1.9 %						

Lähde: Inderes

Disclaimer and recommendation history

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Recommendation history (>12 mo)

Date	Recommendation	Target price	Share price
10/18/2019	Buy	9.00 €	7.35 €
2/24/2020	Accumulate	9.00 €	8.37 €
2/28/2020	Accumulate	9.00 €	8.25 €
3/27/2020	Accumulate	7.00 €	6.51 €
8/10/2020	Accumulate	8.50 €	7.80 €
8/17/2020	Accumulate	9.50 €	8.68 €
12/8/2020	Accumulate	12.00 €	10.15 €
12/15/2020	Accumulate	13.00 €	12.25 €
1/5/2021	Reduce	13.70 €	14.20 €
2/1/2021	Reduce	16.50 €	15.60 €
2/26/2021	Reduce	17.50 €	17.90 €
4/1/2021	Reduce	18.00 €	17.80 €
8/13/2021	Reduce	24.00 €	24.50 €



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